

To: Michael Mazerov, MTC. Tel: 202-624-8699; Fax 202-624-8819  
From: Robert Feinschreiber Tel: 305-361-5800; Fax 305-361-7722  
Re: Definitions of Business and Non-Business Income and a Unitary Business  
Task Force C: Issue 1: The definition/test of unitary business  
Date: June 29, 1997

### Proposed Standards for Unitary Business

A unitary enterprise is reflected by commonalities: synergies, common goals, and common achievements. The presence or absence of a unitary relationship is indicated by the following general activities and functions:

#### A. Structure and Management

The structure of the relationship among affiliates, including common ownership, direction, control, and centralized management, taking into the account the presence of a general system of operations, the extent of common leadership and management, the importance of the centralized executive force, the extent of supervision, and the presence of the same line of work.

#### B. Activities

The use and the activities of the enterprise or enterprises, both jointly and severally, including unity of operation and use that create mutual dependent operations, contributions, or interactions, taking into account technical assistance and the sharing of expertise; the extent of central purchasing; the extent of common advertising, image, and marketing, including the presence of marketing intangibles; the extent of controlled interaction; the extent of common accounting and chart of accounts; the extent of common standards, manuals, and systems; and the extent of common personnel activities. In this regard, the following activities should be taken into account: the extent of intercompany services; the extent of intercompany sales; the extent of intercompany licensing, including royalties, contracts, franchises, and privileges; the extent of intercompany leasing and rentals; and the extent of intercompany production licensing, whether for technology, know-how, or for other production intangibles, which could be determined in a quantitative absolute sense and on a percentage basis.

#### C. Economic Benefits

The presence or absence of economic benefits from a unitary relationship, including the extent of the economies of scale and the presence or absence of integrated functional operational functions. The extent that going concern value, i.e. the value of the group as a whole, exceeds the sum of each component.; the extent to which value of the common group is attributable to intercompany contracts, franchises, privileges, and other intangibles.

**D. Documentation**

The following documentation shall be taken into account in determining unitary or non-unitary status: Standard industrial classification (SIC), filings with the Securities and Exchange Commission (SEC), filings with the Bureau of Economic Analysis (BEA), filings with the Commissioner of Customs, filings with the Internal Revenue Service, including reporting under Sections 482, 6038A, and 6662, filings with another state or instrumentality, whether domestic or foreign, and filings with any bank or financial institution.